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BUREAU OF INDIAN AFFAIRS
OFFICE OF TRUST FUND MANAGEMENT
ALBUQUERQUE, New Mexico

CENTRALIZATION OF DISBURSEMENTS FOR TRUST FUNDS
AND EXPLANATION OF PAYMENT PROCESSING

PROJECT DEFINITION STATEMENT

DRAFT
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Prepared by
Jim Parris
Office of Trust Funds Management

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MANAGEMENT OVERVIEW

The Bureau of Indian Affairs (BIA), through the Office of Trust Funds Management (OTFM), has full fiduciary responsibility for disbursement and accounting control of all monies held in Individual and Tribal trust. This is a visible and sensitive responsibility requiring a high level of responsiveness and quality service to the client. OTFM also has responsibility and accountability as the Indian Service Special Disbursing Agent (ISSDA). Because of these responsibilities greater levels of accounting information and data control are required than are available through current disbursement methods.

Numerous deficiencies in the current processes of trust fund disbursement have been identified by the OTFM and by independent contract auditors. Recommended improvements in check processing timeliness and control of accounting practices are being implemented. One major feature of this overall improvement will be the removal of financial authority for check processing and accounting of check distribution activity from the United States Treasury office in San Francisco, California. This authority will be awarded to a centrally located financial institution with the experience and technical capability to assume this function and to provide the improvements in information processing that are required.

Additionally, inconsistent or inadequate Explanation of Payments documentation is currently sent with disbursements which are mailed to payment recipients. Clients receiving payments are experiencing difficulty in understanding and reconciling payment information. A standard method and format for reporting this information is needed, with a detailed Explanation of Payments statement accompanying each check mailed.

The Centralization of Disbursements for Trust Funds and Explanation of Payment Processing project has been initiated to address these deficiencies. Representatives from the OTFM and from all Area Director offices will take part in the definition and development of improved processes, controls and systems to better serve the client.

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HISTORICAL BACKGROUND

1. Indian Service Special Disbursing Agent (ISSDA)
Authority Assigned - 1936
2. Current Activity
 - A. ISSDA / Treasury Check usage - Bureau wide
 1. ISSDA Check Usage - 1990: 475,651
 2. Treasury RFC Check Usage: 600,000

TOTAL	1,075,651
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3. Treasury Processing
 - A. ISSDA Check Reporting
 1. Daily Disbursement Reports (8 - 10 Daily)
 2. ISSDA Check Reporting Procedure in Albuquerque
 - B. SF-1166 Reporting Process
 - C. Returned / Lost Treasury Check Process
4. IMC / NTSC Processing (Current)
5. Explanation of Payments (EOP)
 - A. Navajo Area
 - B. Anadarko
 - C. Other Areas

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6. The Assistant Secretary of the Interior, Dr. Eddie Brown, decided in February, 1991, that it was imperative that the inherent problems with the current process be resolved. Dr. Brown agreed that the most efficient way to do so would be to contract with a private sector financial institution to replace and enhance the functions of centralized check processing and distribution which are currently performed by the United States Treasury, Regional Finance Center (RFC), in San Francisco, California. This decision has been strongly supported by the Commissioner of Indian Affairs and by the Acting Director of the Office of Trust Funds Management.
7. General Business Joint Requirements Planning and definition meeting was conducted with Albuquerque OTFM, February 12 - 13, 1991 and representatives from all Areas.
8. Follow-up requirements definition with representatives from the previous session, Ad Hoc Committee members, and legal counsel from the Solicitor General's office March 12 - 14, 1991.

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PROBLEM DEFINITION

The major problems with the current check disbursement process are: Lack of management reporting and accounting control procedures; Timeliness of processing through cumbersome authorization and approval steps; audit weaknesses as identified by independent contractors; Lack of detailed explanation of payment data for check recipients. These deficiencies contribute to the following account management problems:

- o Uncashed, uncleared checks are often outstanding up to ninety (90) days from issue. The OTFM and Area offices have no automated data access mechanism for monitoring or reporting status of these checks. What is needed is an online access to check number data that will indicate current status and date check is deposited or cleared.
- o OTFM is unable to determine which checks have been issued by the RFC, the dates that they were issued, or what the associated check numbers are. This makes tracing of outstanding check status very difficult and time consuming.
- o The inadequacy of management reports of account activity and check status, as well as no online inquiry access, contribute to a lack of internal controls and audits. Many of these deficiencies have been identified by independent auditors and solutions need to be implemented.

All of these problems have been addressed to the systems development staff of the U.S. Treasury RFC for resolution, but they have indicated that they lack the resources and development time necessary to accomplish the needed changes.

These problems are further compounded by the following:

- o Systems and processes have been developed with no clearly defined requirements and are therefore inconsistent between the OTFM and each Area office

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- o Documentation is inadequate or incomplete for systems and processes and therefore consistent procedures and techniques are not practiced
- o Inconsistency in procedures and standards at each Information Management Center (IMC) and Area location
- o Inconsistent configurations of computer hardware and software cause inconsistencies in basic payment processing and reporting functions
- o A lack of training of individuals responsibility for the processes and a general lack of accounting expertise by the persons assigned
- o Weaknesses exist in Outstanding Check processing and Reporting procedures from the United States Treasury Office which currently processes payments making auditing and verification difficult
- o Numerous problems exist with the current processes and systems which perform the disbursement functions:
 - a. Scheduling inefficiencies within the IMC's which cause data and reporting to be processed later than needed by the Area offices
 - b. "Rigid", outdated procedures causing delays, missed schedules and obsolete information
 - c. A lack of control of data and procedures at the local level
 - d. Centralized control of policy definition and process activity causing ineffective response to client demands
 - e. Dependency on central computing causing unnecessary delays due to hardware down time and undisciplined operations scheduling

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PROJECT GOALS AND OBJECTIVES

The primary objective of this project is to define, design and develop effective and efficient processes and systems for the timely disbursement and accounting of funds held in trust by the OTFM. The secondary objective is to remove processing of funds disbursement from the United States Treasury Office to a suitable banking institution which can meet all of the requirements defined for this process.

The goals to accomplish these objectives are:

1. Consolidate and implement standard procedures and controls at the OTFM and Area offices.
2. Review of existing policies and practices to verify validity to current needs
3. Design processes and schedules that provide necessary information and output documents on a timely and efficient basis
4. Incorporate the recommendations of independent auditing organizations to assure compliance with findings
5. Maintain local control of account information while building in generally accepted accounting controls and auditing techniques
6. Maximize the cash return on investments and interest float through efficient management of cash transfer activities
7. Implement Automated Clearing House (ACH) electronic funds transfer processing from the United States Treasury to the selected financial institution to make cash available in the most efficient and timely manner
8. Develop and implement improved management reporting and historical records access for effective account management and audit control

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9. Produce complete, detailed documentation of all processes, procedures, policies and operational requirements and implement a documentation change management process to keep information current
10. Develop detailed training programs on processes and procedures for trust fund disbursements and conduct comprehensive training for responsible individuals at all Areas and Agencies as appropriate
11. Conduct education programs with account owners at the tribal and individual levels to give a detailed understanding of explanation of payment and other account information
12. Involve tribal leaders in the implementation of new processes and outputs to assure understanding and support of the project goals and objectives

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SCOPE OF PROJECT

This project is intended to address the Problems defined and the Goals and Objectives identified in the above sections. The project will identify the detailed requirements for effective and efficient disbursement of Tribal account, Tribal per capita and Individual Indian funds through a selected banking institution. The requirements will incorporate the needs and responsibilities of OTFM, all Areas and associated Agencies which have disbursement request and check writing responsibilities.

The scope will include: processes beginning with receipt of requests for payment; verifying the validity and availability of disbursement fund accounts; preparing necessary documents and forms; routing information to and from the selected banking institution; check processing, explanation of payment production and check register verification; distribution of printed checks with EOP information; monthly generation and distribution of Individual Indian account statements; and verification of management reporting from the banking institution for account balancing.

Also included will be: automated generation and distribution of All coded account payments; monthly management reporting of account activity; "Stop Payment" processing of invalidated checks; recovery of fraudulent or invalid payments; and retention, access and audit of financial transaction records.

Functions and activities excluded from this project are: direct electronic transfer of funds to individual accounts where no checks are generated; generation and mailing of monthly account statements where the account balance is zero (\$ 0.00).

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PROJECT DELIVERABLES

1. CHECKS - in ISSDA and RFC format (Appendix X)
2. EXPLANATION OF PAYMENT STATEMENT - in Oil and Gas format (Appendix X) and OTHER format (Appendix X) produced at time check is generated and included with mailing
3. CHECK REGISTER - (Appendix X)
4. DAILY DISBURSEMENT REPORT - (Appendix X)
5. DAILY ACCOUNTING REPORTS - (Appendix X)
6. MONTHLY INDIVIDUAL INDIAN MONIES STATEMENT - (Appendix X)
7. INTEGRATED RESOURCE MANAGEMENT SYSTEM REPORTS - (Appendix X)
8. BUREAU OF MINES/BUREAU OF RECLAMATION FICHE REPORTS - (Appendix X)
9. "COALS" SYSTEM DATA FORMATS AND SCREENS - (Appendix X)
10. (Appendix X)
11. ELECTRONIC INTERFACE - from OTFM and each Area office directly to financial institution data for routing of request data and for inquiry of check information and for return transmission of reports and information.
12. DOCUMENTATION - of all policies, processes, procedures, inputs and outputs, and system user guides.
13. TRAINING - on all processes, procedures, and system usage.
14. HARDWARE AND SOFTWARE SYSTEMS - to interface with IMC's, the financial institution and Central Office.

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PROJECT DEPENDENCIES

- A. Any new system selected must be able to replace all existing functions and outputs related to check production and distribution.
- B. Any new system selected must be able to replace all existing functions and outputs of the Bureau of Mines/Bureau of Reclamation "GOALS" system.
- C. Computer systems, networks and Software must be installed at all Area offices with capabilities for electronic access to financial institution systems.
- D. Financial institution selected must be able to manage and distribute interest float in an efficient manner to maximize income potential.